SALUS POPULI SUPREMA

uBuhlebezwe Municipality
Financial statements
for the year ended June 30, 2016

These financial statements were prepared by:
U.P Mahlasela
CFO

Themarin Mudley
Auditor General : (SA)
Registered Auditors

General Information

Mayoral committee	
Executive Mayor	Z D Nxumalo
	T C Dlamini
Councillors	S C Shezi
	B P Nzimande
	M E Mkhize
	S H Dlamini
	Z V Shange
	E B Ngubo
	M C Ndlovu
	G P Ndzimande
	M C Sithole
	H C Jili
	G J Ngcongo
	W M Q Dlamini
	N J Peterson
	Z C Khumalo
	N M Mdunge (Dismissed 22 June 2016)
	T P Dlamini
	S Msimango
	C N Ntabeni
	W S Tenza (Resigned : 30 June 2015)
	E T Shoba
	T E Tenza (Effective from : 01 June 2015)
	D Ram (Resigned : 30 June 2015)
	C M Ngubo (Deceased : 01 March 2015)
	E N Gamede (Effective from : 09 September 2015)
	L M Davids (Effective from : 03 August 2015)
Grading of local authority	Grade 3 (In terms of Remuneration of Public Office Bearers
Accounting Officer	G M Sineke
Chief Finance Officer (CFO)	U P Mahlasela
Registered office	Ubuhlebezwe Local Municipality Margaret Street Ixopo 3276
Business address	29 Margaret Street Ixopo 3276
Postal address	P.O.Box 132 Ixopo 3276
Bankers	First National Bank
Auditors	Themarin Mudley Registered Auditors

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements have been prepared on the going concern basis, were approved by the accounting officer on June 30, 2016.

G.M Sineke
Accounting Officer

Statement of Financial Position as at June 30, 2016

Figures in Rand		Note(s)	2016	2015 Restated*
Assets				
Current Assets				
Inventories	30.20	7	3,159,122	3,671,140
Other eceivables from non-exchange transactions	33.20	8	537,309	1,446,198
VAT receivable from exchange transactions	31.20	9	10,322,551	4,821,505
Trade receivable from exchange transaction	31.20	10	10,670,087	8,000,855
Cash and cash equivalents	32.20	11	103,229,763	81,969,673
			127,918,832	**99,909,371**
Non-Current Assets				
Investment property	21.20	2	12,903,359	12,783,639
Property, plant and equipment	20.20	3	307,261,986	244,701,088
Intangible assets	23.22	4	881,020	881,020
Heritage assets	26.22	5	4,791,660	4,791,659
			325,838,025	**263,157,406**
Non-Current Assets			325,838,025	263,157,406
Current Assets			127,918,832	99,909,371
Total Assets			**453,756,857**	**363,066,777**
Liabilities				
Current Liabilities				
Finance lease liability - Current Portion	25.29	14	62,932	275,123
Trade and other payables from exchange transactions	51.20	16	24,727,566	14,194,361
Unspent conditional grants and receipts	43.20	15	9,765,228	14,169,285
			34,555,726	**28,638,769**
Non-Current Liabilities				
Finance lease liability	25.29	14	-	62,932
Retirement benefits: Long Service Awards	52.20		1,832,000	1,704,000
Retirement benefits: Post Employment Medical Benefits	43.27		3,917,000	3,836,000
			5,749,000	**5,602,932**
Non-Current Liabilities			5,749,000	5,602,932
Current Liabilities			34,555,726	28,638,769
Total Liabilities			**40,304,726**	**34,241,701**
Assets			453,756,857	363,066,777
Liabilities			(40,304,726)	(34,241,701)
Net Assets			**413,452,131**	**328,825,076**
Housing Development	40.22		373,787	373,787
Accumulated surplus	40.24		413,078,344	328,451,289
Total Net Assets			**413,452,131**	**328,825,076**

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	1,681,650	1,463,902
Rental of facilities and equipment	19	985,191	810,788
Interest received (trading)		6,872,906	5,445,943
Licences and permits		3,597,454	3,506,864
Other income	20	1,798,929	1,675,265
Total revenue from exchange transactions		**14,936,130**	**12,902,762**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	13,123,930	12,348,922
Property rates - penalties imposed	22	-	(100)
Transfer revenue			
Government grants & subsidies	23	173,795,056	139,610,923
Fines, Penalties and Forfeits		392,026	263,912
Total revenue from non-exchange transactions		**187,311,012**	**152,223,657**
		14,936,130	12,902,762
		187,311,012	152,223,657
Total revenue	17	**202,247,142**	**165,126,419**
Expenditure			
Employee related costs	24	(48,779,757)	(41,191,856)
Remuneration of councillors	25	(7,554,047)	(7,180,257)
Depreciation and amortisation	27	(18,667,605)	(16,626,664)
Finance costs		(17,066)	(56,951)
Contribution to provision	28	(4,688,817)	(4,990,433)
Repairs and maintenance	26	(2,930,058)	(2,339,133)
Electrification Expense		(6,300,876)	-
Contributions to post retirement benefits		(209,000)	(228,000)
Contracted Services	29	(5,759,731)	(4,962,318)
General Expenses	30	(23,003,547)	(23,483,688)
Total expenditure		**(117,910,504)**	**(101,059,300)**
		-	-
Total revenue		202,247,142	165,126,419
Total expenditure		(117,910,504)	(101,059,300)
Operating surplus		**84,336,638**	**64,067,119**
Loss on disposal/ transfer of assets		-	(3,095,276)
Surplus before taxation		84,336,638	60,971,843
Surplus for the year		**84,336,638**	**60,971,843**

Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Accumulated surplus	Total net assets
Opening balance as previously reported	373,787	266,027,754	266,401,541
Correction of errors	-	67,471	67,471
Balance at July 01, 2014 as restated*	**373,787**	**266,095,226**	**266,469,013**
Correction of errror	-	1,384,220	1,384,220
Net income (losses) recognised directly in net assets	-	1,384,220	1,384,220
Surplus for the year	-	60,971,843	60,971,843
Total changes	-	62,356,063	62,356,063
Restated* Balance at July 01, 2015	**373,787**	**328,741,706**	**329,115,493**
Changes in net assets			
Surplus for the year	-	84,336,638	84,336,638
Total changes	-	84,336,638	84,336,638
Balance at June 30, 2016	**373,787**	**413,078,344**	**413,452,131**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Payments			
Finance costs		6,872,906	5,445,944
Total receipts		187,311,012	164,735,588
Total payments		(72,232,992)	(86,614,419)
Net cash flows from operating activities	31	**115,078,020**	**78,121,169**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(100,124,237)	(66,113,146)
Purchase of investment property	2	(294,667)	-
Purchase of other intangible assets	4	-	(400,780)
Purchases of heritage assets	5	-	(1,942,660)
Net cash flows from investing activities		**(100,418,904)**	**(68,456,586)**
Cash flows from financing activities			
Movement in retirement benefits: post employment medical benefits		(209,000)	-
Finance lease payments		(62,932)	(558,043)
Net cash flows from financing activities		**(271,932)**	**(558,043)**
Net increase/(decrease) in cash and cash equivalents		**14,387,184**	**9,106,540**
Cash and cash equivalents at the beginning of the year		81,969,673	66,033,153
Cash and cash equivalents at the end of the year	11	**103,229,763**	**81,969,673**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual outcome as a %
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	1,878,000	-	**1,878,000**	1,681,650	**196,350**	90%
Rental of facilities and equipment	474,000	5,000	**479,000**	985,191	**(506,191)**	206%
Interest received (trading)	3,000,000	1,500,000	**4,500,000**	6,872,906	**(1,904,468)**	144 %
Agency services	700,000	-	**700,000**	752,061	**(52,061)**	107%
Licences and permits	3,020,000	500,000	**3,520,000**	3,597,454	**(77,454)**	102%
Other income - (rollup)	191,000	302,000	**493,000**	1,046,868	**(1,305,929)**	212%
Total revenue from exchange transactions	**9,263,000**	**2,307,000**	**11,570,000**	**14,936,130**	**(3,649,753)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	12,980,000	-	**12,980,000**	13,123,930	**(143,930)**	101%
Transfer revenue						
Government grants & subsidies	163,724,000	18,492,345	**182,216,345**	173,795,056	**8,421,289**	95%
Fines, Penalties and Forfeits	200,000	-	**200,000**	392,026	**(192,026)**	196%
Total revenue from non-exchange transactions	**176,904,000**	**18,492,345**	**195,396,345**	**187,311,012**	**8,085,333**	
'Total revenue from exchange transactions'	9,263,000	2,307,000	**11,570,000**	14,936,130	**(3,649,753)**	126%
'Total revenue from non-exchange transactions'	176,904,000	18,492,345	**195,396,345**	187,311,012	**8,085,333**	96%
Total revenue	**186,167,000**	**20,799,345**	**206,966,345**	**202,247,142**	**4,435,580**	
Expenditure						
Personnel	55,135,000	(1,106,000)	**54,029,000**	48,779,757	**5,249,243**	90%
Remuneration of councillors	7,556,000	-	**7,556,000**	7,554,047	**1,953**	99%
Depreciation and amortisation	18,000,000	-	**18,000,000**	18,667,605	**(667,605)**	104%
Other expenditure	43,979,000	1,879,000	**45,858,000**	43,122,810	**2,735,190**	94%
Total expenditure	**124,670,000**	**773,000**	**125,443,000**	**118,124,219**	**7,318,781**	
	186,167,000	20,799,345	**206,966,345**	201,778,704	**12,623,296**	97%
	(124,670,000)	(773,000)	**(125,443,000)**	(118,124,219)	**7,318,781**	94%
Operating surplus	**61,497,000**	**20,026,345**	**81,523,345**	**83,654,485**	**5,302,515**	
Capital expenditure	88,188,000	14,338,000	**102,526,000**	100,380,270	**2,145,730**	98%
	61,496,000	27,461,000	**88,957,000**	83,654,485	**5,302,515**	
	88,188,000	14,338,000	**102,526,000**	100,380,270	**2,145,730**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual outcome as a %
Surplus after capital transfer & contribution	**149,684,000**	**41,799,000**	**191,483,000**	**184,034,755**	**7,448,245**	
Surplus for the year	149,684,000	41,799,000	**191,483,000**	184,034,755	**7,448,245**	
	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**149,684,000**	**41,799,000**	**191,483,000**	**184,034,755**	**7,448,245**	

Details	Explainations
Service Charges	More was collected than anticipated
Interest Received	Better and improved cash management
Licence & permits	Increases local licencing
Fines, penalties and forteits	Budget based on past experiances
Personnel	Performance Management Section not paid in full. Vacant posts filled during the year.
Other expenditure	Better expenditure management

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. Accounting policies for material transaction, events or condition not covered by the GRAP report framework, have been developed in accordance with paragraph 8, 10 and 11 of GRAP 3 (Revised March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The Municipality resolved to early adopt the following GRAP standards which been issued but are not effective yet.

GRAP 20 - Related parties

Directive 12 - The Selection of an Appropriate Reporting Framework by Public Entities

GRAP 108 - Statutory Receivables

GRAP 109 - Accounting by Principals and Agents

GRAP 32 - Service Concession Arrangements

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include :

Post-retirement medical obligations and Long service awards

The cost of post-retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions are used and disclosed in note 6 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives of different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives and in what condition they will be at that time. Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar asset available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time. Management referred to the following when making assumptions regarding useful live and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuators to support the useful life of buildings.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality. In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions).

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.4 Materiality

Material omissions or misstatement of items are material if they could, individually or collectively, influence the decision or assessments of user made on the basis of the financial statement. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure.

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Property held for sale in the ordinary course of operations or in the process of construction or development for such sale, in which case property held exclusively with a view to subsequent disposal in the near future or for development for resale is classified as inventory.

1.6 Property, plant and equipment

Intitial Recognition

Property, Plant ane Equipment are tangible, non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

Accounting Policies

1.6 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured relia

Where an item of property, plant and equipment is acquired in exchange for a nonmonetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost).

If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent Measurement – Cost Model.

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life. Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

Depreciation.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful livese

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Infinite
Buildings	Straight line	25 - 30
Finance Lease Assets	Straight line	3
Plant and Equipment	Straight line	10 -20
Furniture and office equipment	Straight line	5-15
Motor vehicles	Straight line	7
Computer equipment	Straight line	5-10
Infrastructure - Cemeteries	Straight line	15-30
Machinery and equipment	Straight line	5-15
Infrastructure - Electricity	Straight line	15 -30
Infrastructure - Road	Straight line	15 - 55
Infrastructure - Solid Waste Disposal	Straight line	10 - 55
Heritage Asset	Straight line	Infinite
Specialised vehicles	Straight line	10-20

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

Accounting Policies

1.6 Property, plant and equipment (continued)

De-recognition.

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying value and is the Statement of Financial Performance.

1.7 Intangible assets

Initial Recognition

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent Measurement – Cost Model.

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives.

Accounting Policies

1.7 Intangible assets (continued)

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, internally generated	5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.8 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The Municipality classifies assets as Heritage Assets where the significance as a heritage asset can be determined. In regards to land and buildings all graded sites are classiffied as a Heritage Assets, furthermore land with a natural significance is not componentised but seen as a single Heritage asset due to all parts contributing together to make up its significance

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably. Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non- exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Accounting Policies

1.8 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets (excluding Heritage assets which are land and buildings) are measured at cost, less accumulated impairment losses. Heritage assets are not depreciated.

Subsequent to initial recognition, land and buildings which qualify as Heritage Assets are carried at cost.

De-recognition of heritage assets.

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the de-recognition of an item of heritage assets is included in surplus or deficit when the item is derecognised. Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.

1.9 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, Probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for and individually assessed financial assets, whether significant or not, it includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred)

The carrying amount of the assets is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decrease because of an event occurring after the impairment was recognised, the previously recognised impairment loss or increased or reduced by adjusting the allowance account. If a future write off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Accounting Policies

1.10 Payable and Annuity Loans

Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are cauterised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.11 Cash and Cash Equivelents

Cash includes cash on hand (including, petty cash) and cash with banks).Cash equivalents are short-term highly liquid investments, readily convertible into unknown amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an significant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts.

The Municipality categorise cash and cash equivalents as financial assets carried at amortised cost. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are exposed as incurred. Amounts owing in respect of the bank overdrafts are categorised as financial liabilities carried at amortised cost.

De-recognition of Financial Instruments

Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Municipality has transferred its rights to receive cash flows from the asset or has assumed and obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

a) The Municipality has transferred substantially all the risks and rewards of the asset, or

b) The Municipality has neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an assets or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset. Continuing involvement that takes the form of guarantee over the transferred asset is measured the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could require to repay. When continuing involvement takes the form of a written and or/ purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such as exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is and intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Accounting Policies

1.12 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both form exchange and non-exchange transactions) and non-current investments.

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument plus, in the case of a financial asset or financial liability not at fair value, transactions costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

1.13 Tax

Taxes - Value Added Tax

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position

1.14 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repaymeunt using the effective interest rate method. Lease finance costs are expensed when incurreThe accounting policies relating to de-recognition of financial instruments are applied to lease payables.

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

Accounting Policies

1.15 Inventories

Initial Recognition

Inventories encompass goods purchased and held for resale including, for example, merchandise purchased by an entity and held for resale, or land and other property held for sale. Iinventories also consist of raw materials, work in progress, consumables and finished goods, which are valued at the lower of cost, determined on the first in first out basis, and net realisable value, except for goods which are valued at the tariffs charged.

Investment property is recognized as an asset when and only when:

a) It is probable that the future economic benefits or service potential that are associated with the item will flow to the Municipality, and

b) The cost of the inventories can be measured reliably.

Measurement at Recognition

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition. Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

Measurement After Recognition

Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value. Cost of inventories comprises all costs of purchase, cost of conversion, and other costs incurred in bringing the inventories to their present location and condition.

Redundant and slow moving inventories are identified and written down to their estimated net realisable values. Consumables are written down according to their age, condition and utility. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.16 Impairment of non-cash-generating assets

Accounting Policies

1.16 Impairment of non-cash-generating assets (continued)

Cash-generating asset

Cash-generating assets are assets held with the primary objective of generating a commercial return. The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount. In assessing whether there is any indication that an asset may be impaired, the municipality considers the following indications

a) External sources of information.

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, Economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated .
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which ,or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the assets are considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognized in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A Previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Statement of Financial Performance.

Non-cash-generating assets

Non-cash-generating assets are assets other than cash –generating asset. The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired.
If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount. In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

a) External sources of information

- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the

Accounting Policies

1.16 Impairment of non-cash-generating assets (continued)

near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition
- Evidence is available from internal report that indicates that the service performance of an asset is or will be, significantly worse than expected. An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

Depreciation replacement cost approach - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

Restoration cost approach - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service unit approach - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state.

As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.
The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased.

If any such indication exists, the Municipality estimates the recoverable service amount of that asset. An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

Accounting Policies

1.17 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Council employee's contribution to the Natal Joint Municipal Pension Fund. The retirement benefit fund is subjected to the Pension Fund Act, 1956, with pension being on the pensionable remuneration.

A defined contribution plan as a under which the municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient asset to pay all employees the benefits relating to service in the current or prior periods.The municipality's contribution to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The municipality and its employees contribute to the Natal Joint Municipal Pension Fund which is a defined contribution fund. The e payment of retirement benefits are charged against income in the year they become payable. Natal Joint Superannuation & Retirement Funds are defined benefit funds. The Natal Joint Provident Fund is a contribution fund

The schemes are funded through payments to fund administrator or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans..

Defined benefit plans have been accounted for as defined contribution plans in accordance with the requirements on multi-employer plans where sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to allocate the shortfall on liabilities to individual employers, no liability is recognised for any shortfall of fund asset as compared to fund liabilities. Any surcharges that may be levied by the fund from time to time in order to compensate for shortfalls, are recognised as expenses in the period in which they become payable to the fund. As surcharges are advised long in advance, based on actuarial valuations of the fund as a whole, the necessary provision for the payment thereof is made in the course of the municipality's normal budgeting processes.

1.18 Provisions and contingencies

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events,it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability unless the probability of an outflow of resources embodying economic benefits or service potential is remote.

Accounting Policies

1.18 Provisions and contingencies (continued)

A contingent asset is disclosed where an inflow of economic benefits or service potential is probable. Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

1.19 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

***Commitments are disclosed for*:**

Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date

Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the Annual Financial Statement. Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources. Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than

1.20 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods, sold the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions are have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.
- At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Accounting Policies

1.20 Revenue from exchange transactions (continued)

Interest revenue is recognised using the effective interest rate method. Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement. Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue is measured at the fair value of the consideration received or receivable. The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service.

It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality. In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalent is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest.

The imputed rate of interest is the most clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods and services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair values of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

1.21 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.
Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donations is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without conditions attached are recognised as revenue when the asset is recognised.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expense of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by law.

Revenue from the recovery of unauthorised, Irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipality Finance Management (Act No.56 of 2006) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Measurement

Revenue from property rates is measured on accrual basis.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.Fines constitute both fines and summonses. Fines are economic benefits or service potential received or receivable by the municipality as a consequence of the individual or entity breaching the requirements of laws or regulations.

The full amount of traffic fines issued during the year is recognised at the initial transaction date as revenue in accordance with GRAP 1.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears based on historic trends.

1.22 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Accounting Policies

1.22 Comparative figures (continued)

When the presentation or classification items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. When material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.23 Unauthorised expenditure

Unauthorised expenditure means:

- Expenditure that has not been budgeted for or
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26 Change in Accounting Policies, Estimates and correction of error

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in the policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period which retrospective restatement is practicable.

Change in accounting estimates are applied prospectively in accordance with GRAP 3 requirements

Correction of errors is applied retrospectively in the period in which the error occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

1.27 Budget information

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amount are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actuals amounts. Budget information is presented on the accrual basis and is based on the same period as the actual amount, i.e. 1 July 2015 to 30 June 2016. The budget information is therefore on a comparable basis to the actual amount.

The comparable information includes the following:

Accounting Policies

1.27 Budget information (continued)

- The approved and final budget amounts.
- Actual amounts and final budget amounts.

Explanations for differences between the approved and final budget are included in the Statement of Comparison of Budget and Actual Amounts.

Explanation for material differences between the final budget amount and actual amounts are included the Statement of Comparison of Budget and Actual Amounts.

1.28 Related parties

The municipality resolved to adopt the disclosure requirements as per GRAP 20- "Related Party Disclosures".

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.29 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.30 Unspent Conditional Grants and receipts

Revenue received from conditional grants and funding is recognised as revenue to the extent that the municipality has compiled with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred , the stipulation will be considered a restriction and is recognised as revenue.

Notes to the Financial Statements

Figures in Rand

2. Investment property

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	13,916,806	(1,013,447)	12,903,359	13,322,139	(538,500)	12,783,639

Reconciliation of investment property - 2016

	Opening balance	Additions	Transfers	Depreciation	Total
Investment property	12,783,639	294,667	29,999	(204,946)	12,903,359

Reconciliation of investment property - 2015

	Opening balance	Transfers to inventory	Correction of accumilated depreciation incorrectly accounted for	Fair value adjustments of incorrect cost previously accounted for	Depreciation	Total
Investment property	17,625,687	(4,600,000)	270,000	(300,000)	(212,048)	12,783,639

Notes to the Financial Statements

Figures in Rand

3. Property, plant and equipment

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Working Progress	Transfers	Work in progress brought into use	Depreciation	Total
Buildings	18,067,568	108,900	-	-	-	(909,172)	17,267,296
Plant and Equipment	1,929,195	424,455	-	-	-	(299,846)	2,053,804
Furniture and fixtures	2,252,998	2,665,837	-	-	-	(784,438)	4,134,397
Motor vehicles	3,370,232	693,655	-	-	-	(926,144)	3,137,743
IT equipment	1,334,504	32,890	-	-	-	(345,924)	1,021,470
Infrastructure	85,975,129	8,082,551	-	(172,229)	5,626,618	(10,168,087)	89,343,982
Community	74,810,623	8,515,251	-	-	7,134,552	(4,157,173)	86,303,253
Other property, plant and equipment	294,693	1	-	-	-	(83,573)	211,121
Lease	214,293	-	-	-	-	(193,740)	20,553
Specialised vehicles	4,827,426	131,440	-	-	-	(594,561)	4,364,305
Work in Progress	51,624,426	-	66,669,453	(6,128,647)	(12,761,170)	-	99,404,062
	244,701,087	**20,654,980**	**66,669,453**	**(6,300,876)**	**-**	**(18,462,658)**	**307,261,986**

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Working Progress		Depreciation	Impairment loss	Total
Buildings	21,612,580	(2,581,756)	-	-	-	(963,255)	-	18,067,569
Plant and machinery	1,682,838	603,620	(8,141)	-	-	(349,122)	-	1,929,195
Furniture and fixtures	1,930,253	784,562	(20,526)	-	19,075	(460,367)	-	2,252,997
Motor vehicles	3,414,193	941,365	-	-	-	(813,057)	(172,268)	3,370,233
IT equipment	1,552,976	184,157	(6,241)	-	-	(351,165)	(45,223)	1,334,504
Infrastructure	56,876,853	11,874,578	-	24,466,693	-	(7,242,995)	-	85,975,129
Community	80,154,653	-	-	-	-	(5,344,029)	-	74,810,624
Other property, plant and equipment	308,156	97,050	-	-	-	(110,513)	-	294,693
Lease	477,324	-	-	-	-	(263,031)	-	214,293
Specialised vehicles	4,014,637	1,318,316	(16,207)	-	-	(489,321)	-	4,827,425
Work in Progress	26,405,474	-	-	25,218,952	-	-	-	51,624,426
	198,429,937	**13,221,892**	**(51,115)**	**49,685,645**	**19,075**	**(16,386,855)**	**(217,491)**	**244,701,088**

Notes to the Financial Statements

Figures in Rand

4. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	881,020	-	881,020	881,020	-	881,020

Reconciliation of intangible assets - 2016

	Opening balance	Total
Computer software, other	881,020	881,020

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Total
Computer software, other	480,240	400,780	881,020

5. Heritage assets

	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	4,791,660	-	4,791,660	4,791,659	-	4,791,659

Reconciliation of heritage assets 2016

Notes to the Financial Statements

Figures in Rand

5. Heritage assets (continued)

	Opening balance	Total
Historical monuments	4,791,660	4,791,660

Reconciliation of heritage assets 2015

	Opening balance	Additions	Total
Historical monuments	2,849,000	1,942,660	4,791,660

Change in accounting estimate

Disclose the nature and effect of a change in an accounting estimate in the current period.

The nature and effect of the changes in the accounting estimates is as follows:

Depreciation : Community assets

According to initial estimated useful life	5,344,031
According to re-estimated useful life	4,157,173
Reduction in depreciation	**1,186,858**

6 EMPLOYEE BENEFIT OBLIGATIONS

6.1 Retirement benefits

The Municipality's personnel are members of one of the Natal Joint Municipal Pension retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements. As the required disclosure information cannot be obtained the funds are all treated as defined contribution plans.

6.2 Post-employment medical benefits

The municipality operates on 3 accredited medical aid schemes, namely Bonitas, Keyhealth, and Samwumed.

Pensioners continue on the option they belonged to on the day of their retirement. Independent valuers, Zaqen Actuaries (Pty) Ltd, carried out a statutory valuation as at 30 June 2016.

The post-retirement medical obligations at 30 June 2016 quantified the present value of unfunded obligations at R3,917,000. The Current-service costs for the year ending 30 June 2016 is estimated at R273 000. The principal actuarial assumptions used included a discount rate of Yield Curve , and a health care cost inflation rate of CPI + 1.

The movement in the liability recognised in the balance sheet is as follows:

The principal actuarial assumptions used were as follows:

	2016	2015
Balance at beginning of the year	3,836,000	3,761,000
Current service cost	270,000	283,000
Interest cost	346,000	342,000
Benefit payments	-124,510	-111,000
	-	-
Actuarial (gains)/losses	**-410,490**	**-439,000**
Expected Employer Benefit Payments	-	-
Closing Accrued Liability	**3,917,000**	**3,836,000**

6.3 The amounts recognised in the Statement of Financial Position were as follows:

	2016	2015
Current service cost	270,000	283,000
Interest cost	346,000	342,000
Actuarial (gains)/losses	-410,490	-439,000
	205,510	186,000
Benefit payments	-124,510	-111,000
Transitional Liability	-	-
	81,000	75,000

The amounts recognised in the Statement of Financial Performance were as follows:

	2016	2015
Current service cost	270,000	283,000
Interest cost	346,000	342,000
Benefit payments	-124,510	-111,000
Actuarial (gains)/losses	-410,490	-439,000
	81,000	**75,000**

Key Assumptions	2016	2015
Discount rate per annum	Yield Curve	Yield Curve
Health care cost inflation rate	CPI + 1	CPI + 1
Net effective discount rate	Yield Curve Based	Yield Curve Based
Benchmark inflation (equal to salary inflation)	0%	0%
Average retirement age	63	63
Proportion continuing membership at retirement	100%	100%
Proportion of retiring members who are married	90%	90%
Mortality during employment	SA 85-90 ultimate	SA 85-90 ultimate
Mortality post-retirement	PA90 ultimate	PA90-1 ultimate

(No explicit assumption was made about additional mortality or health care costs due to AIDS).

Percentage of in-service members withdrawing before retirement:

	Males	Females
Age 20 - 24	16%	24%
Age 25 - 29	12%	18%
Age 30 - 34	10%	15%
Age 35 - 39	8%	10%
Age 40 - 44	6%	6%
Age 45 - 49	4%	4%
Age 50 - 54	2%	2%
Age 55 - 59	1%	1%
Age 60+	0%	0%

	2016	2015
The amounts recognised in the Statement of Financial Position	**3,917,000**	**3,705,000**

6.4 Long Service Awards.

Independent valuers, Zaqen Actuaries (Pty) Ltd, carried out a statutory valuation as at 30 June 2016.

The principal actuarial assumptions used were as follows:

	2016	2015
Discount rate per annum	Yield Curve	Yield Curve
General Salary Inflation (Long term)	CPI+1	CPI+1
Net effective discount rate	Yield Curve	Yield Curve

Examples of mortality rates used were as follows:

	2016	2015
Average retirement age	63	63
Mortality during employment	SA85-90	SA85-90

Members withdrawn from services:

	Males	Females
Age 20 - 24	16%	24%
Age 25 - 29	12%	18%
Age 30 - 34	10%	15%
Age 35 - 39	8%	10%
Age 40 - 44	6%	6%
Age 45 - 49	4%	4%
Age 50 - 54	2%	2%
Age 55 - 59	1%	1%
Age 60+	0%	0%

	2016	2015
6.5 The amounts recognised in the Statement of Financial Position were determined as follows:		
Present value of funded obligations	1,700,000	1,704,000
Fair value of plan assets	-	-
Liability in the Statement of Financial Position	**1,700,000**	**1,704,000**
Movements in the defined benefit obligation is as follows:		
Balance at beginning of the year	1,704,000	1,551,000
Current service cost	230,000	227,000
Interest cost	112,000	127,000
Benefit payments	-123,000	-75,000
Actuarial (gains)/losses	-91,000	-126,000
Balance at end of year	**1,832,000**	**1,704,000**

Notes to the Financial Statements

Figures in Rand	2016	2015

7. Inventories

Opening Inventory	3,671,140	4,600,000
Sales	(512,018)	(928,860)
	3,159,122	**3,671,140**

8. Other eceivables from non-exchange transactions

Fines	359,335	162,933
Sundry Debtors	177,974	1,283,265
	537,309	**1,446,198**

9. VAT receivable

VAT	10,322,551	4,821,505

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtor

10. Trade receivable from exchange transaction (Customer Debtors)

Gross balances		
Rates	21,641,492	16,758,708
Electricity	7,545	7,545
Loans & Self help	204,284	211,756
Refuse	3,146,878	2,791,834
Vat Debtors	516,755	432,818
Housing rental	744,722	468,958
Sundry	126,501	110,268
	26,388,177	**20,781,887**

Less: Allowance for impairment		
Less : provision for bad debt	(15,718,090)	(12,781,032)

Net balance		
Rates	21,641,492	16,758,708
Electricity	7,545	7,545
Loans & self help	204,284	211,756
Refuse	3,146,878	2,791,834
Vat Debtors	516,755	432,818
Housing rental	744,722	468,958
Sundry	126,501	110,268
Less: Provision for bad debt	(15,718,090)	(12,781,032)
	10,670,087	**8,000,855**

Rates		
Current (0 -30 days)	(2,188)	(114,023)
31 - 60 days	498,044	12,235
61 - 90 days	460,115	9,839
91 - 120 days	422,347	499,048
Greater than 120 days	20,263,174	16,351,609
	21,641,492	**16,758,708**

Notes to the Financial Statements

Figures in Rand	2016	2015

10. Trade receivable from exchange transaction (Customer Debtors) (continued)

	2016	2015
Electricity		
Greater than 120 days	7,545	7,545

	2016	2015
Loans & self help		
Greater than 120 days	204,284	211,756

	2016	2015
Refuse		
Current (0 -30 days)	159,445	125,461
31 - 60 days	188,329	13,838
61 - 90 days	80,568	82,100
91 - 120 days	72,273	74,928
Greater than 120 days	2,646,263	2,495,507
	3,146,878	**2,791,834**

	2016	2015
Sundry		
Current (0 -30 days)	2,753	3,021
31 - 60 days	4,312	4
61 - 90 days	2,158	2,303
91 - 120 days	2,099	2,203
> 365 days	115,215	102,737
	126,537	**110,268**

	2016	2015
VAT Debtors		
Current (0 -30 days)	24,546	(75,861)
31 - 60 days	16,060	1,712
61 - 90 days	14,122	14,332
91 - 120 days	22,793	27,555
Greater than 120 days	439,234	465,080
	516,755	**432,818**

	2016	2015
Housing rental		
Current (0 -30 days)	54,893	59,945
31 - 60 days	60,738	12,592
61 - 90 days	25,424	17,970
91 - 120 days	22,002	17,314
Greater than 120 days	581,665	361,137
	744,722	**468,958**

	2016	2015
Reconciliation of doubtful debt		
Balance at beginning of the year	(12,781,032)	(11,095,531)
Contributions to allowance	(2,937,058)	(2,818,177)
Debt impairment written off against allowance	-	1,132,676
	(15,718,090)	**(12,781,032)**

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Notes to the Financial Statements

Figures in Rand	2016	2015

11. Consumer debtors disclosure (continued)

Cash on hand	5,249	5,249
Bank balances	11,356,655	3,206,659
Short-term deposits	91,867,859	78,757,765
	103,229,763	**81,969,673**

11. Consumer debtors disclosure (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances June 30, 2016	Bank statement balances June 30, 2015	Bank statement balances June 30, 2014	Cash book balances June 30, 2016	Cash book balances June 30, 2015	Cash book balances June 30, 2014
FNB - Current Account - 52552416194	11,361,934	3,211,908	1,933,602	11,361,934	3,211,908	1,933,602
FNB - Equitable Share - 62143895988	5,401,006	207,163	2,455,109	5,401,006	207,163	2,455,109
FNB - Equitable Share - 62248166218	613,504	592,381	633,047	613,504	592,381	633,047
FNB - 7 Day Call Short Term Investment Account -	5,013,041	-	4,192,999	5,013,041	-	4,192,999
FNB - Lums - 62074735831	15,253,356	-	-	15,253,356	-	-
ABSA - Small Town Rehab/3 months fixed deposit - 2074566678	5,624,830	5,207,759	-	5,624,830	5,207,759	-
ABSA - Small Town Rehab/3 months fixed deposit - 2074567242	11,303,000	10,471,117	-	11,303,000	10,471,117	-
ABSA - Small Town Rehab/3 months fixed deposit - 2073068077	-	-	5,335,168	-	-	5,335,168
ABSA - 2075702582	5,180,654	-	-	5,180,654	-	-
ABSA - Small Town Rehab/3 months fixed deposit - 2075113660	10,852,132	10,000,000	-	10,852,132	10,000,000	-
Nedbank - Fixed Deposit 1 month - 7881076763/001	-	-	10,406,787	-	-	10,406,787
Nedbank - Fixed Deposit 1 month - 7881076763/0069	-	10,307,804	-	-	10,307,804	-
Nedbank - Fixed Deposit 1 month - 7881076763/018	-	-	3,790,022	-	-	3,790,022
Nedbank - Fixed deposit 3 months - 7881076763/002	-	-	5,314,469	-	-	5,314,469
Standard Bank - 90 Days Equitable Share - 0687302760-004	-	29	2,950,382	-	29	2,950,382
Standard Bank - 90 Days Equitable Share - 0687302760-007	11,219	5,568,451	5,202,039	11,219	5,568,451	5,202,039
Standard Bank - 068730276 005	11,561,919	-	-	11,561,919	-	-
Standard Bank - 30 Days Equitable Share - 0687302760-005	-	10,765,896	10,143,972	-	10,765,896	10,143,972
Standard Bank - 90 Days Equitable Share - 0687302760-006	-	-	5,366,354	-	-	5,366,354
Standard Bank - R6M	10,245,482	-	-	10,245,482	-	-
Ithala Bank -	-	-	3,239,466	-	-	3,239,466
Ithala Bank - Equitable Share - 46142189	5,745,480	5,384,085	5,069,737	5,745,480	5,384,085	5,069,737
Ithala Bank - Equitable Share	5,062,206	10,100,202	-	5,062,206	10,100,202	-
Ithala Bank - Equitable Share - 46149515	-	10,152,877	-	-	10,152,877	-
Total	**103,229,763**	**81,969,672**	**66,033,153**	**103,229,763**	**81,969,672**	**66,033,153**

Notes to the Financial Statements

Figures in Rand	2016	2015

12. Long-term Receivables

Housing selling scheme loans	122,298	122,298
Less: Provision for bad debts	(122,298)	(122,298)
	-	-

13. Housing operating account

Housing Operating Account	373,787	373,787

The housing operating account is represented by the following assets and liabilities

Housing selling scheme loans	122,298	122,298
Cash and cash equivalents	251,489	251,489
Assets	**373,787**	**373,787**

Assets	373,787	373,787
Liabilities	-	-
Total Housing Development Fund Assets and Liabilities	**373,787**	**373,787**

14. Finance lease liability

Minimum lease payments due		
- within one year	62,932	275,123
- in second to fifth year inclusive	-	62,932
Present value of minimum lease payments	**62,932**	**338,055**

Present value of minimum lease payments due		
- within one year	62,932	275,123
- in second to fifth year inclusive	-	62,932
	62,932	**338,055**

Non-current liabilities	-	62,932
Current liabilities	62,932	275,123
	62,932	**338,055**

Finance lease payments represent payments payable by the municipality for photocopiers and printers.

No finance lease period is more than five years. All finance leases have signed contracts with the service providers.

Notes to the Financial Statements

Figures in Rand	2016	2015

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts	480,796	480,796
Mckenzie Farm	-	25,225
Library Grant	8,567,585	12,825,345
Small Town Rehabilitation	8,278	129,350
Ixopo Sportfields	565,387	565,387
Sangcwaba Grant	143,182	143,182
Ixopo Sportfield Mantainance		
	9,765,228	**14,169,285**

16. Trade and other payables from exchange transactions

Trade payables	10,784,678	5,827,144
Payments received in advance	1,688,465	814,891
Deposits other	427,886	363,276
Other payables	(1,299)	60
Retention	8,738,636	4,645,095
Staff Leave Accrual	3,089,200	2,543,895
	24,727,566	**14,194,361**

17. Revenue

Service charges	1,681,650	1,463,902
Rental of facilities	985,191	810,788
Interest received	6,872,906	5,445,943
Licences and permits	3,597,454	3,506,864
Other income - Miscellaneous	1,798,929	1,675,265
Property rates	13,123,930	12,348,922
Property rates - penalties imposed	-	(100)
Government grants & subsidies	173,795,056	139,610,923
Fines	392,026	263,912
	202,247,142	**165,126,419**

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	1,681,650	1,463,902
Rental of facilities and equipment	985,191	810,788
Interest received (trading)	6,872,906	5,445,943
Licences and permits	3,597,454	3,506,864
Other income - Miscellaneous	1,798,929	1,675,265
	14,936,130	**12,902,762**

Notes to the Financial Statements

Figures in Rand	2016	2015

17. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	13,123,930	12,348,922
Penalties imposed	-	(100)
Transfer revenue		
Government grants & subsidies	173,795,056	139,610,923
Fines	392,026	263,912
	187,311,012	**152,223,657**

18. Service charges

Refuse removal	1,681,650	1,463,902

19. Rental of facilities and equipment

Premises		
Venue hire	101,924	34,475
Rental of equipment	883,267	776,313
	985,191	**810,788**
Premises	985,191	810,788
Garages and parking	-	-
Facilities and equipment	-	-
	985,191	**810,788**

20. Other income

Rates Clearance	9,107	6,829
Sale of assets	-	160,752
Sundry Income	802,960	427,875
Admin Fees	41,035	26,949
Disposal of land	11,675	131,167
Skills development	95,905	79,763
Building fees	20,760	48,233
Sundry Income	3,933	5,400
Basic Charge : Fire service	36,338	36,103
Licence Commission	752,061	732,927
Burial Fees	25,155	19,341
Discount received	-	(74)
	1,798,929	**1,675,265**

21. Investment revenue

Interest revenue		
Call Interest	6,872,906	5,445,944
Bank current account	-	-
	6,872,906	**5,445,944**
	-	-
	6,872,906	5,445,944

Notes to the Financial Statements

Figures in Rand	2016	2015

22. Property rates

Rates received

	2016	2015
Property rates	20,910,542	19,935,452
Less: Income forgone	(7,786,612)	(7,586,530)
	13,123,930	12,348,922
Property rates - penalties imposed	-	(100)
	13,123,930	**12,348,822**

Valuations

	2016	2015
Residential	223,094,000	229,855,000
Commercial	258,459,000	268,779,000
State	-	240,376,000
Industrial	22,050,000	22,050,000
Municipal	56,871,000	19,564,000
Agricultural	1,801,095,000	1,815,200,000
Vacant Land	25,900,000	28,957,000
Farm : Residential	4,691,000	4,839,000
Smallholdings : Agricultural	2,525,000	2,525,000
Public Service Infrastructure	-	2,578,000
Smallholdings : Commercial	6,526,000	6,547,000
Ingonyama Trust	267,314,000	24,360,000
Commercial Settllement	12,245,000	12,245,000
	2,680,770,000	**2,677,875,000**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alteration and subdivisions. Rates are levied in ten monthly equal instalments with the first being due at the end of August and the last instalmentsis in May. The May instalment is due at the end of June.

	2016	2015
Residential	0.0141c/R	0.0141c/R
State owned	0.0145c/R	0.0145c/R
Agriculture	0.0035c/R	0.035c/R
Infrastructure	0.0035c/R	0.0035c/R
Communal land	0.0035c/R	0.0035c/R
Commercial	0.0145c/R	0.0145c/R
Industrial	0.0152c/R	0.0152c/R
Place of worship	Exempt	Exempt

The municipality does not levy rates on the first R15 000 of the market value of properties assigned to the categories below:

Residential
Agricultural
Small holding (Agricultural)
Commercial
Industrial and
Communal

Notes to the Financial Statements

Figures in Rand	2016	2015

23. Government grants and subsidies

	2016	2015
Operating grants		
Equitable share	85,227,000	66,977,000
FMG	1,800,000	1,800,000
Project Consolidate (MSIG)	930,000	934,000
Grant : Ixopo Sportsfield	-	276,818
Library Assistant - Cyber	170,000	126,000
Library Grant	578,225	557,493
LED Programes	-	1,735,000
Sponya Housing grant	-	57,832
Sportsfield Mantainance	121,071	107,145
GIS Grant	-	2,659
EPWP	1,420,000	1,090,000
Project Management unit	-	163,377
LUMS Grant	-	220,238
Capital Investment programme	-	9,700
	90,246,296	**74,057,262**

	2016	2015
Capital grants		
MIG	24,335,000	23,553,000
McKenzie Farm	-	7,519,204
Electrification	54,956,000	28,815,000
Ixopo Town roads	4,257,760	5,666,457
	83,548,760	**65,553,661**

	2016	2015
	90,246,296	74,057,262
	83,548,760	65,553,661
	173,795,056	**139,610,923**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Equitable Share

	2016	2015
Current-year receipts	85,227,000	66,977,000
Conditions met - transferred to revenue	(85,227,000)	(66,977,000)
	-	-

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Mc Kenzie Farm

	2016	2015
Balance unspent at beginning of year	480,796	-
Current-year receipts	-	8,000,000
Conditions met - transferred to revenue	-	(7,519,204)
	480,796	**480,796**

Conditions still to be met - remain liabilities (see note 15).

FMG Grant

	2016	2015
Current-year receipts	1,800,000	1,800,000
Conditions met - transferred to revenue	(1,800,000)	(1,800,000)

Notes to the Financial Statements

Figures in Rand	2016	2015

23. Government grants and subsidies (continued)

	-	-

GIS Grant

Balance unspent at beginning of year	-	2,659
Conditions met - transferred to revenue	-	(2,659)
	-	-

Electrification Grant - Cogta

Current-year receipts	24,956,000	20,815,000
Conditions met - transferred to revenue	(24,956,000)	(20,815,000)
	-	-

Electrification Grant - DOE

Current-year receipts	30,000,000	8,000,000
Conditions met - transferred to revenue	(30,000,000)	(8,000,000)
	-	-

Municipal Infrastructure Grant

Current-year receipts	24,335,000	23,553,000
Conditions met - transferred to revenue	(24,335,000)	(23,553,000)
	-	-

Library Grant

Balance unspent at beginning of year	25,225	47,718
Current-year receipts	553,000	535,000
Conditions met - transferred to revenue	(578,225)	(557,493)
	-	**25,225**

Small Town Rehab _ Roads

Balance unspent at beginning of year	12,825,345	8,791,802
Current-year receipts	-	9,700,000
Conditions met - transferred to revenue	(4,257,760)	(5,666,457)
	8,567,585	**12,825,345**

Conditions still to be met - remain liabilities (see note 15).

Capital Investments

Balance unspent at beginning of year	-	9,700
Conditions met - transferred to revenue	-	(9,700)
	-	-

MSIG Grant

Current-year receipts	930,000	934,000

Notes to the Financial Statements

Figures in Rand	2016	2015

23. Government grants and subsidies (continued)

Conditions met - transferred to revenue	(930,000)	(934,000)
	-	-

Sponya housing Grant

Current-year receipts	-	57,832
Conditions met - transferred to revenue	-	(57,832)
	-	-

Ixopo sports mantainance Grant

Balance unspent at beginning of year	129,350	107,145
Current-year receipts	-	129,350
Conditions met - transferred to revenue	(121,072)	(107,145)
	8,278	**129,350**

Conditions still to be met - remain liabilities (see note 15).

LUMS GRANT

Balance unspent at beginning of year	-	220,238
Conditions met - transferred to revenue	-	(220,238)
	-	-

Project management unit

Balance unspent at beginning of year	-	163,377
Conditions met - transferred to revenue	-	(163,377)
	-	-

EPWP Grant

Current-year receipts	1,420,000	1,090,000
Conditions met - transferred to revenue	(1,420,000)	(1,090,000)
	-	-

Ixopo Sportsfield Grant

Balance unspent at beginning of year	143,182	420,000
Conditions met - transferred to revenue	-	(276,818)
	143,182	**143,182**

Conditions still to be met - remain liabilities (see note 15).

Library Assistant

Current-year receipts	170,000	126,000
Conditions met - transferred to revenue	(170,000)	(126,000)
	-	-

Notes to the Financial Statements

Figures in Rand	2016	2015

24. Employee related costs

Employee cost : Salaries & wages	34,474,762	29,228,745
Medical aid - company contributions	1,996,776	1,613,236
UIF	297,342	253,873
Pension	5,437,234	4,559,767
Travel, motor car, accommodation, subsistence and other allowances	2,077,153	1,921,182
Overtime payments	1,177,992	1,176,295
13th Cheques	880,993	520,836
Housing benefits and allowances	23,864	13,369
Other employee related costs	2,413,641	1,904,553
	48,779,757	**41,191,856**

Remuneration of municipal manager

Annual Remuneration	941,526	874,937
Performance Bonuses	160,657	150,852
Contributions to UIF, Medical and Pension Funds	124,506	118,237
Travel, motor car, accommodation, subsistance and other allowances	146,113	154,104
	1,372,802	**1,298,130**

Remuneration of chief finance officer

Annual Remuneration	720,225	712,095
Performance Bonuses	126,000	115,917
Contributions to UIF, Medical and Pension Funds	72,507	11,116
Travel, motor car, accommodation, subsistance and other allowances	194,222	197,305
	1,112,954	**1,036,433**

Corporate and human resources (corporate services)

Annual Remuneration	752,623	699,364
Performance Bonuses	118,379	71,456
Contributions to UIF, Medical and Pension Funds	11,542	10,534
Travel, motor car, accommodation, subsistance and other allowances	120,390	121,080
	1,002,934	**902,434**

Social Development

Annual Remuneration	675,476	606,958
Performance Bonuses	76,101	71,456
Contributions to UIF, Medical and Pension Funds	10,883	10,146
Travel, motor car, accommodation, subsistance and other allowances	193,797	191,085
	956,257	**879,645**

Procurements and infrastructure (Technical Services)

Annual Remuneration	720,225	717,013
Performance Bonuses	126,000	111,154
Contributions to UIF, Medical and Pension Funds	72,507	10,916
Travel, motor car, accommodation, subsistance and other allowances	194,222	122,531
	1,112,954	**961,614**

Notes to the Financial Statements

Figures in Rand	2016	2015

25. Remuneration of councillors

Executive Mayor	789,547	752,000
Deputy Executive Mayor	636,171	604,832
Exco Members	2,944,655	903,284
Speaker	363,657	344,381
Councillors Skills Levy	63,398	59,999
Councillors Allowances	2,177,543	3,934,646
Cellular Allowance	493,876	495,615
Councillors Data Cards	85,200	85,500
	7,554,047	**7,180,257**

26. Repairs and mantainance

Repairs and mantainance cost	2,930,058	2,339,133

Repairs and mantainance relates to general mantainance of cars, minor repairs to Infrastructure assets, community assets and buildings

27. Depreciation and amortisation

Property, plant and equipment	18,667,605	16,626,664

28. Contribution to provision

Provision to leave	1,751,759	2,288,168
Provision for Bad debts	2,937,058	2,702,265
	4,688,817	**4,990,433**

29. Contracted services

Consultancy Fees	903,423	489,123
Security	2,189,481	1,698,264
Insurance	404,049	306,273
Rental Hardware	641,691	424,658
Other Contractors	1,621,087	2,043,999
	5,759,731	**4,962,317**

Figures in Rand	2016	2015

30. General expenses

Mscoa Implementation	17,835	-
Advertising	658,516	362,692
Arts and culture	189,220	185,901
Arts promotion expenses	341,080	109,233
Auditors remuneration	1,302,043	1,228,209
Bank charges	133,356	111,634
Bursary - Staff	107,020	77,290
Bursary - Youth	467,207	268,557
Cleaning	151,415	122,406
Computer & IT expenses	1,061,637	829,146
Consumables	199,135	61,838
Disaster Management: Back to school	318,473	181,863
Electricity	365,373	367,969
Employment creation and assistant programme	1,268,302	1,212,379
Entertainment	45,886	107,548
Free Basic Services	1,343,561	1,514,324
Fuel and oil	1,176,446	1,199,124
Gender Development & community upliftment	360,292	195,786
Grant in aid	3,959	14,800
HIV/AIDS Awareness	101,968	317,997
Horticulture	188,543	19,180
IDP Budget review	50,273	200,287
Job Evaluation	-	10,000
LED Projects	1,011,974	2,427,541
Legal fees	1,278,290	836,115
Traffic Levies	9,293	7,814
Library outreach programme	20,015	14,368
Licence and permits	216,996	98,198
Moral regeneration	101,178	33,900
Other expenses	423,571	106,612
Pest control	8,104	8,596
Postage and courier	82,356	108,533
Printing and stationery	694,525	623,910
Public Participation	701,257	303,620
Refuse Expenses	555,818	897,721
SMME Capacity Building	-	31,343
Software expenses	81,185	326,336
Special Programmes	998,695	750,384
Sports and recreation	388,262	495,719
Strategic Planning	809,286	403,279
Subscriptions and membership fees	529,966	565,076
Team Building	78,248	116,613
Tourism development	20,440	17,091
Town Planning Initiative	524,478	481,000
Training	1,826,757	2,436,170
Travel - local (S&T , Reimbusive travel)	1,760,175	1,488,398
Uniforms/ Protective Clothing	551,681	496,468
Valuation Roll	8,103	93,922
Ward Committees	185,178	671,625
Water	87,854	522,399
Youth Upliftment	198,322	422,774
	23,003,547	**23,483,688**

Notes to the Financial Statements

Figures in Rand	2016	2015

31. Cash generated from operations

Surplus	84,336,638	60,971,843
Adjustments for:		
Depreciation and amortisation	18,667,605	16,626,664
Finance costs	6,872,906	5,445,943
Provisions	4,688,817	(5,365,014)
Movements in retirement benefit assets and liabilities	(19,000)	(801,000)
Changes in working capital:		
Inventories	(512,017)	(3,671,140)
Trade receivables from exchange transactions	2,669,232	2,228,075
Other receivables from non-exchange transactions	(908,889)	181,133
Finance leases	(212,191)	(124,170)
Trade and other payables from exchange transactions	(10,410,184)	781,509
VAT	5,501,046	(422,320)
Unspent conditional grants and receipts	4,404,057	2,269,646
	115,078,020	**78,121,169**

32. Financial instruments disclosure

Categories of financial instruments

2016

Financial Assets

	Loans and receivables	Total
Trade and other receivables from exchange transactions	10,670,087	10,670,087
Other receivables from non-exchange transactions	537,309	537,309
Cash and cash equivalents	103,229,763	103,229,763
Inventories	3,159,123	3,159,123
VAT receivables	10,322,551	10,322,551
	127,918,833	**127,918,833**

Financial liabilities

	Financial liabilities	Total
Other financial liabilities	5,749,600	5,749,600
Trade and other payables from exchange transactions	24,727,566	24,727,566
Unspent conditional grants	9,765,228	9,765,228
Short term finance lease	62,932	62,932
	40,305,326	**40,305,326**

2015

Financial assets

	Loans and receivables	Total
Trade and other receivables from exchange transactions	8,000,855	8,000,855
Other receivables from non-exchange transactions	1,446,198	1,446,198
Cash and cash equivalents	81,969,673	81,969,673
Inventories	3,671,140	3,671,140
VAT Receivable	4,821,505	4,821,505

Notes to the Financial Statements

Figures in Rand	2016	2015

. Financial instruments disclosure (continued)

	99,909,371	**99,909,371**

Financial liabilities

	Financial liabilities	Total
Finance lease liability	62,932	62,932
Other financial liabilities	5,540,000	5,540,000
Trade and other payables from exchange transactions	14,194,361	14,194,361
Unspent Conditional Grant	14,169,285	14,169,285
Short-term portion of finance lease	275,123	275,123
	34,241,701	**34,241,701**

33. Commitments

Authorised capital expenditure

	2016	2015
Already contracted for but not provided for		
• Infrastructure	10,409,606	7,533,965
• Community	3,144,749	1,180,521
• Other commitment	707,371	770,391
	14,261,726	**9,484,877**

	2016	2015
Total capital commitments		
Already contracted for but not provided for	14,261,726	9,484,877

Authorised operational expenditure

	2016	2015
This expenditure will be financed from :		
• External loan	-	-
• Government Grants	13,554,355	8,714,488
• Own sources	707,371	770,391
	14,261,726	**9,484,879**

	2016	2015
Total operational commitments		
Already contracted for but not provided for	14,261,726	9,484,879

34. Contingencies

Contingent liabilities

- Litigation is in the process against the municipality relating to an il-linformed resolution taken by council to condone the sale of a council owned property way below market value. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as likely, and the case should be resolved within the next year. Expected contigent liabity of R 42 000 is expected for valuation fee.

Contingent assets

Pending litigation to declare the Municipality as the rightful owner of a leased property. An asset estimated at R11million may be transferred to the municipality

35. Related parties

There were no related party transactions in the currrent financial Year.

Notes to the Financial Statements

Figures in Rand	2016	2015

36. Key source of estimation, uncertainty and judgments

Key Sources of Estimate, uncertainty and judgement

The following areas involve a significant degree of estimation and uncertainty

- Useful live and residual values of property, plant and equipment
- Recoverableamount of property pland and equipment
- Present value of defined benefit obligations
- Provision for doubful debts
- Determing to collectable amount traffic fines issued

37. Prior period errors

1. Write off of incorrectly classified Investment property for 2014/15

2. Correction of overstated depreciation on finance leases for 2014/15.

3. Correction of overstated finance lease liability for 2014/15

4. Correction of overstated post employment benefits for 2014/15

5. Correction of overstated Grants Revenue

6. Correction of misallocated Hallhire deposits

7. Correction of Accruals overstated in 2015/16

The correction of the errors results in adjustments as follows:

Notes to the Financial Statements

Figures in Rand	2016	2015

37. Prior period errors (continued)

1. Statement of financial position		
Investment property cost	-	300,000
Accumilated Depreciation on Investment property	270,000	-
1. Statement of financial performance		
Depreciation on investment property	30,000	-
2. Statement of financial position		
Accumilated depreciation on finance leases	27,758	-
2. Statement of financial performance		
Depreciation on finance leases	-	27,758
3. Statement of financial position		
Finance lease liability	6,692	-
3. Statement of financial performance		
Accumilated depreciation on finance leases	-	6,692
4. Statement of Financial Position		
Post employment benefits: Long service awards	-	4,000
Post employment benefits : Medical Benefits	-	56,000
4. Statement of Financial Performance		
Contribution to post emeployemnt benefit expense	60,000	-
5. Statement of Financial Position		
Government grants and subsidies	-	1,384,219
5. Statement of Financial Performance		
Accumilated Surplus	1,384,219	-
6. Statement of Financial Position		
Hall Hire Deposits	-	1,500
6. Statement of Financial Performance		
Accumilated Surplus	1,500	-
7. Statement of Financial Position		
Trade Payables	124,521	-
7. Statement of Financial Performance		
Accumilated Surplus	-	124,521
	1,904,690	**1,904,690**

38. Risk management

Financial risk management

Due to the largely non-trading nature of the activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities.

The municipality's finance function monitors and manages the financial risks relating to the operations of the municipality. These risks include credit risk, liquidity risk, market risk relating to interest rate risk.

Notes to the Financial Statements

38. Risk management (continued)

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to recover future commitments. The municipality managers liquidity risk through an ongoing review of future commitments and credit facilities. Unspect Grants are cash backed. Cash flow forecasts are prepared and adequately utilised borrowing facilities are monitored. The table below analyses the municipalitiesfinancial liabilities into amounts due within the 12 months after the financial year end. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2016	2015
Trade and other payable	24,727,566	14,194,361
Other lease obligations	62,932	338,055
	24,790,498	14,532,416

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The maximum credit risk exposure in respect of the relevant financial instruments is as follows:

Financial instrument	2016	2015
VAT Receivables	10,322,551	4,821,505
Cash & cash equivelents	103,229,763	81,969,673
Trade receivables	10,670,087	8,000,855
Other receivables from non-exchange	537,309	1,446,198
Maximum Credit Exposure	124,759,710	96,238,231

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

At year end financial instruments exposed to interest rate risk were as follows.

Bank Balances and Cash	103,229,763	81,969,673
Maximum Interest Exposure	103,229,763	81,969,673

Price risk

Due to legislative restrictions, the municipality does not trade these investments.

Notes to the Financial Statements

Figures in Rand	2016	2015

39. Events after the reporting date

Events after the reporting date are those events, both favourable and unfavourable, that Occur between the reporting date and the date when the financial statements are authorised for issue. In the current financial year there were no events identified after the reporting date

Two types of events can be identified :
Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date) and those that are indicative of conditions that arose after the reporting date (non adjusting events after the reporting date). If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

40. Unauthorised expenditure

There is no unauthorised expenditure as at 30 June 2016.

41. Fruitless and wasteful expenditure

There was no fruitless expenditure incured as at 30 June 2016

42. Irregular expenditure & Deviations

	2016	2015
Opening balance	4,156,107	229,916
Add: Irregular Expenditure - current year	-	4,156,107
Less: Amounts condoned	(4,152,320)	(229,916)
	3,787	**4,156,107**

Analysis of expenditure awaiting condonation per age classification

	2016	2015
Current year	3,787	-

Notes to the Financial Statements

Figures in Rand		2016	2015

42. Irregular expenditure & Deviations (continued)

Deviations – current year

	Reasons for deviation	
Repairs to Christmas lights	Emegency - Christmas light not functioning and had to be repaired.	193,800
Supply of Disabled Toilets	Emergency - Toilets needed for disabled person at an event	6,999
Repairs to grader	Impractical - Striping of the vehicle was required in oder to determine the fault and therefore be able to quote.	202,153
Repairs to Mayoral vehicle	Impractical - Striping of the vehicle was required in oder to determine the fault and therefore be able to quote.	50,047
Repairs to refuse truck	Impractical - Striping of the vehicle was required in oder to determine the fault and therefore be able to quote.	42,605
Perfomer for prayer day	UBuhlebezwe Municipality was hosting an annul prayer day and Thobekile was Mkhwanazi was approuched and the price negotiated at R30 000. One local artist was also approached and compensated with R 2500. Three pastors paid R500 each.	34,000
Salga game accommodation	Due to the demand for accommodation during SALGA games and the nature of the transaction, the municipality was forced to deviate from the normal SCM process and immidiately send someone to look for accommodation. In oder to secure accommodation immidiate payment was done at the available place.	117,000
Repairs to TLB	Impractical - Striping of the vehicle was required in oder to determine the fault and therefore be able to qoute.	52,278
Security services	Emergency - Security sevirces were required urgently for the safety of the Mayor. New armed security services was appointed without following the SCM Processes	84,930
Installation of surveilance cameras	Impractical - The SCM process for appointing a service provider to install security cameras was started, but during the process it was noted that the process is exposing the municipality to risk as it was opened to everyone. To minimise the risk the advert was withdrawn and the service provider that had previously installed the camares within the municipality was appointed.	48,161
Replacement of 32 channel and 2KVA System & UPS System	Emergency - Digital video recorder and ups system were damaged when the backup generator kicked in following a power cut. This prompted a deviation from the SCM process , due to the fact that the installation of survellance cameras should always be in working condition. KDM Electrical was the original supplier, hence they were identified as the service provider to conduct the required service.	17,442
Supply and Istallation of IP Camera system	Emergency - Security survellance cameras were not installed at the Accounting Officers Office and the Guard house (gate entrance). These sevirces was required urgently as a safety precaution measure for employees and to safeguard municipal property.	62,187
		911,602

Notes to the Financial Statements

Figures in Rand	2016	2015

43. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	500,000	500,000
Amount paid - current year	(500,000)	(500,000)
	-	-

Audit fees

Current year subscription / fee	1,302,043	1,228,209
Amount paid - current year	(1,302,043)	(1,228,209)
	-	-

PAYE, UIF & Skills

Current year subscription / fee	8,872,919	6,012,080
Amount paid - current year	(8,872,919)	(6,012,080)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	7,926,717	5,747,536
Amount paid - current year	(7,926,717)	(5,747,536)
	-	-

VAT

VAT receivable	10,322,551	9,563,641
VAT payable	-	-
	10,322,551	**9,563,641**

Councillors' arrear consumer accounts

No Councillors had arrear accounts outstanding for more than 90 days at June 30, 2016:

UNAUDITED SUPPLIMENTARY SCHEDULE

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

	Cost / Revaluation					Accumulated Depreciation						Carrying value
As at 30 June 2016	Opening Balance	Additions	Work in Progress brought into use	Disposals	Closing Balance	Opening Balance	Current	Disposal	Change in estimate	Impairment	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Budget & Treasury	1,909,588	885,238			2,794,826	584,520	430,719				1,015,239	1,779,587
Community Services	119,178,544	9,525,474.55			128,704,019	35,214,078	4,535,359				39,749,438	88,954,581
Corporate Services	32,334,790	1,854,305			34,189,095	12,803,823	1,458,455				14,262,278	19,926,817
Executive & Council	1,906,387	260,122			2,166,508	700,975	301,552				1,002,527	1,163,981
Housing	121,770				121,770	67,323	12,801				80,124	41,646
Planning & Development	350,193				350,193	130,659	50,341				181,000	169,193
Public Safety	4,291,990				4,291,990	1,372,497	388,686				1,761,183	2,530,807
Roads & Technical services	267,756,219	69,278,741.39		6,300,876.29	330,734,084	135,518,762	10,852,578				146,371,341	184,362,744
Solid Waste	4,468,687				4,468,687	1,237,699	422,951				1,660,650	2,808,037
Sports & Creation		5,520,590			5,520,590		4,286				4,286	5,516,304
Social Development	53,127				53,127	39,977	4,932				44,909	8,218
Total	432,371,294	87,324,471	0	6,300,876	513,394,889	187,670,315	18,462,660	0	0	0	206,132,975	307,261,914

	Cost / Revaluation					Accumulated Depreciation						Carrying value
As at 30 June 2015	Opening Balance	Additions	Work in Progress brought into use	Disposals	Closing Balance	Opening Balance	Current		Change in estimate	Impairment	Closing Balance	
	R	R	R	R	R	R	R			R	R	R
Budget & Treasury	14,905,198	1,266,174		58,624.89	16,112,747	834,239	325,214	36,610			1,122,843	14,989,903
Community Services	116,853,039	7,171,873.22		54,705.72	123,970,207	29,648,718	5,615,849	50,493			35,214,074	88,756,133
Corporate Services	37,170,077	647,992		5,483,279.24	32,334,790	13,478,960	1,576,880	2,195,950			12,859,889	19,474,901
Executive & Council	1,536,655	381,673		11,941.71	1,906,387	454,123	255,054	8,201			700,975	1,205,411
Housing	122,270			500.00	121,770	55,610	12,213	500			67,323	54,447
Planning & Development	351,942	6,159		7,907.92	350,193	86,984	48,495	4,820			130,659	219,533
Public Safety	3,783,576	516,808.57		8,394.22	4,291,990	1,023,647	355,485	6,634			1,372,498	2,919,492
Roads & Technical services	192,695,287	75,061,730.97		799.00	267,756,219	127,530,513	7,989,032	783			135,518,763	132,237,457
Solid Waste	3,245,113	1,665,316		441,741.97	4,468,687	1,209,136	412,027	383,464			1,237,699	3,230,988
Social Development	52,005	1,350.00		228.00	53,127	35,126	5,079	228			39,977	13,150
				0								0
Total	370,715,162	86,719,077		6,068,123	451,366,116	174,357,056	16,595,329	2,687,684			188,264,701	263,101,416

UNAUDITED SUPPLEMENTARY SCHEDULES
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

	Cost / Revaluation							Accumulated Depreciation							Carrying Value
As at 30 June 2016	Opening Balance	Additions	Transfers	Work In Progress brought into use	Revaluation	Other changes, movements	Closing Balance	Opening Balance	Depreciation	Disposals	Transfers	Revaluation	Impairment loss	Closing Balance	Closing Balance
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Buildings	28 193 338	108 900			-		28 302 238	10 125 769	909 172		-	-		11 034 941	17 267 297
Infrastructure Assets	218 398 489	8 082 551	(172 229)	5 626 618	-		231 935 429	132 423 358	10 168 087		-			142 591 445	89 343 984
Community Assets	108 948 537	8 515 250		7 134 552	-		124 598 339	34 137 913	4 157 173		-			38 295 086	86 303 252
Work in Progress	51 624 426	66 669 453	(6 128 647)	(12 761 170)	-		99 404 062				-			-	99 404 062
Specialised Vehicles	6 078 078	131 440			-		6 209 518	1 250 654	594 561					1 845 214	4 364 303
Furniture & Equipment	4 498 041	2 665 871			-		7 163 913	2 245 044	784 438					3 029 481	4 134 432
Computer Equipment	2 726 015	32 890			-		2 758 905	1 391 717	345 924					1 737 641	1 021 264
Plant & Equipment	3 740 177	424 455			-		4 164 633	1 810 969	299 847					2 110 816	2 053 817
Vehicles	6 145 850	693 655			-		6 839 506	2 775 618	926 144					3 701 762	3 137 744
Leased Assets	1 490 438				-		1 490 438	1 276 147	193 740	-				1 469 887	20 552
Other	527 910				-		527 910	233 127	83 573	-				316 701	211 209
	432,371,299	87,324,466	-6,300,876	0	0		513,394,889	187,670,316	18,462,658	-	-	0		206,132,974	307,261,915

As at 30 June 2015	Opening Balance	Additions	Disposals	Transfers	Revaluation	Other changes, movements	Closing Balance	Opening Balance	Depreciation	Disposals	Transfers	Revaluation	Other changes, movements	Closing Balance	Carryin Value
	R	R	R		R		R	R	R	R		R		R	R
Buildings	32 809 871	513 520		5 130 054	-	-	28 193 337	11 197 291	963 255		(2 034 778)	-	-	10,125,768	18 067 569
Infrastructure Assets	182 057 218	11 874 576		24 466 693	-	-	218 398 487	125 180 363	7 242 995		-			132,423,358	85 975 129
Community Assets	108 948 537	-			-	-	108 948 537	28 793 882	5 344 031		-			34,137,913	74 810 624
Work in Progress	26 405 474	49 685 644		(24 466 693)	-	-	51 624 425	-			-			-	51 624 425
Specialised Vehicles	5 053 803	1 318 316	294 042		-	-	6 078 077	1 039 166	489 321	277,834.00	-			1,250,653	4 827 424
Furniture & Equipment	3 734 007	784 562	20 526			-	4 498 043	1 803 754	460 367	19,075.00	-			2,245,046	2 252 997
Computer Equipment	2 697 272	184 155	75 649		-	79 559	2 726 219	1 144 296	351 165	69,408 00	-		34 336	1,391,717	1 334 502
Plant & Equipment	3 284 246	603 620	147 700		-		3 740 166	1 601 405	349 122	139,559.00	-			1,810,968	1 929 198
Vehicles	5 525 079	941 365	320 593		-		6 145 851	2 110 888	813 057	148,325.00	-			2,775,620	3 370 231
Leased Assets	1 490 411				-		1 490 411	1 013 089	290 790		-			1,303,879	186 532
Other	430 859	97 050			-		527 909	122 703	110 424		-	-		233,127	294 782
Total	372,436,777	66,002,808	858,510	5,130,054	0	79,559	432,371,462	174,006,837	16,414,527	654,201.00	-2,034,778	0	34,336	187,698,049	244,673,413

UNAUDITED SUPPLIMENTARY SCHEDULE

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MUNICIPAL FINANCE MANAGEMENT ACT, 56 OF 2003

Name of Grants	Name of organ of the state entity	Opening Bal. 2015/2016	Quarterly Receipts					Quarterly Expenditure					Grants Balance 2015/2016	Grants and Subsidies delayed/ withheld	Reason for delay withholdin of funds	Did your municipality comply with the grant conditions in terms of grants framework in	Reason for non Compliance
			July to Sept 1	Oct to Dec 2	Jan to Mar 3	April to June 4	Total Receipts	July to Sept 1	Oct to Dec 2	Jan to Mar 3	April to June 4	Total Expenditure					
Equitable Share	National Treasury	-	-35,511,000	-28,409,000	-21,307,000	-	-85,227,000	35,511,000	28,409,000	21,307,000	-	85,227,000	-				
Capital Investment Program	Cogta	-					-					-	-	No	N/a	Yes	N/a
McKENZIE Farm	Cogta	-480,796					-					-	-480,796.00	No	N/a	Yes	N/a
Financial Management Grant	National Treasury	-	-1,800,000				-1,800,000	148,242	266,297	247,401	1,138,059	1,799,999	-	No	N/a	Yes	N/a
Electrification Ixopo - Cogta	Cogta	-		-24,956,000			-24,956,000			8,103,515	16,852,485	24,956,000	-	No	N/a	Yes	N/a
Electrification ixopo	DOE	-	-17,500,000	-12,500,000			-30,000,000	13,017,398	12,746,804	3,599,310	636,488	30,000,000	-	No	N/a	Yes	N/a
Project Consolidate (MSIG)	Cogta	-	-930,000				-930,000	-			930,000	930,000	-	No	N/a	Yes	N/a
Small Town Rehab. - Roads	Cogta	-12,825,345		-			-		385,114	1,070,905	2,801,741	4,257,760	-8,567,585.00				
EPWP	Cogta	-	-568,000	-373,684	-426,000	-52,316	-1,420,000	226,262	233,237	473,640	486,862	1,420,001	-				
Ixopo Sportfields	Cogta	-143,182	-	-	-		-			-		-	-143,182.00	No	N/a	Yes	N/a
Sangcwaba Grant	Cogta	565,387					-					-	-565,387.00	No	N/a	Yes	N/a
Ixopo Sportfields Maintenance	Cogta	-129,350		-			-	11,810	46,816	35,429	27,017	121,072	-8,278.00	No	N/a	Yes	N/a
Library- cyber	Art and culture	-	-170,000				-170,000	53,298	80,365	36,337		170,000	-	No	N/a	Yes	N/a
Mig Grant	Cogta	-	-8,400,000		-15,935,000		-24,335,000	148,975	5,261,289	8,059,637	10,865,099	24,335,000	-	No	N/a	Yes	N/a
Library Grant	Art and culture	-25,225	-553,000				-553,000	157,810	214,331	185,803	20,281	578,225	-	No	N/a	Yes	N/a
Sponya Housing		-		-	-		-	-		-		-	-	No	N/a	Yes	N/a
		-14,169,285	-65,432,000	-66,238,684	-37,668,000	-52,316	-169,391,000	49,274,795	47,643,253	43,118,977	33,758,032	173,795,057	-9,765,228				
Grants Balance as @ 30 June 2016													-9,765,228				